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ANNUAL REPORT
OF THE
PUBLIC EMPLOYEES' RETIREMENT DIVISION
OF
THE DEPARTMENT OF ADMINISTRATION

PLEASE RETURN



TO THE
GOVERNOR OF MONTANA
HONORABLE FORREST H. ANDLRSON

FOR THE
FISCAL YEAR ENDED
JUNE 30, 1972

CALVIN J. CROWE
FRED L. HILL
WILLIS K. PAULL
JOHN L. PREBIL
TED SCHWINDEN

STATE OF MONTANA
FORREST H. ANDERSON, GOVERNOR



PUBLIC EMPLOYEES' RETIREMENT SYSTEM

1712 NINTH AVENUE

TELEPHONE: AREA CODE 406/449-3154

HELENA, MONTANA 59601

The Honorable Forrest H. Anderson
Governor
State of Montana
Helena, Montana 59601

Dear Governor Anderson:

In accordance with Section 68-501 (c), 68-1404, 93-1109, 11-2029, and 31-206, we herewith submit to you the report covering the fiscal year ended June 30, 1972 of the several retirement systems administered by the Board of Administration, Public Employees' Retirement System.

Major accomplishments during the year included:

- (1) Reorganization economy in administrative operations.
- (2) Transfer of the administration of the Highway Patrolmens' Retirement System to the Board of Administration, PERS.
- (3) Pilot program for on-site social security audit.
- (4) Change in investment authority from constitution to legislature.

Respectfully submitted,

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT
SYSTEM

A handwritten signature in cursive script that reads "Lawrence P. Nachtsheim".

Lawrence P. Nachtsheim
Administrator

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PRINCIPAL OFFICES AND OFFICERS

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OFFICER TERM OF OFFICE	HOME ADDRESS
BOARD OF ADMINISTRATION	
Willis K. Paull, President 1972-1973	202 E. Poppleton Sheridan, Montana
Calvin J. Crowe, Vice President 1971-1976	1800 Hamburg Avenue Anaconda, Montana
Ted Schwinden 1969-1974	1335 Highland Helena, Montana
Fred L. Hill 1967-1972	1100 5th Ave. N. Great Falls, Montana
John L. Prebil 1970-1975	805 5th Avenue Helena, Montana

PRINCIPAL ADMINISTRATIVE OFFICERS

Lawrence P. Nachtsheim, Administrator
Marie O. Klemme, Assistant Administrator
Martin Brekke, Supervisor, Social Security Division
Michael J. Hughes, Attorney
Milliman & Robertson, Consulting Actuaries, Seattle, Wash.

PRINCIPAL OFFICE

1712 Ninth Avenue, Helena, Montana 59601

LEGAL REFERENCES

GENERALLY

The Board of Administration of the Public Employees' Retirement System is responsible for the administration of the Public Employees' Retirement System, the Game Wardens' Retirement System, the Judges' Retirement System, the Highway Patrolmens' Retirement System and the Social Security Division which provides coverage for certain officers and employees of the State of Montana and its political subdivisions.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

The Public Employees' Retirement Act is compiled in Title 68, Chapters 1 through 13, Revised Codes of Montana, 1947.

GAME WARDENS' RETIREMENT SYSTEM

The Game Wardens' Retirement Act is compiled in Title 68, Chapter 14, Revised Codes of Montana, 1947.

JUDGES' RETIREMENT SYSTEM

The Judges' Retirement System Act is compiled in Title 93, Chapter 11, Revised Codes of Montana, 1947.

HIGHWAY PATROLMENS' RETIREMENT SYSTEM

The Highway Patrolmens' Retirement System Act is compiled in Title 31, Chapter 2, Revised Codes of Montana, 1947.

SOCIAL SECURITY

The act providing coverage of officers and employees under the Federal Social Security Act is compiled in Title 59, Chapter 11, Revised Codes of Montana, 1947.

VOLUNTEER FIREMEN PENSION

The Volunteer Firemens' Compensation Act is compiled in Title 11, Chapter 20, Revised Codes of Montana, 1947.

PRINCIPAL GOALS

The Public Employees' Retirement System, the Game Wardens' Retirement System, the Judges' Retirement System, the Highway Patrolmens' Retirement System and the Social Security Division exist to provide some measure of security to employees and their dependents of the State of Montana and its member political subdivisions with adequate benefit programs in the areas of disability, death and retirement.

MAJOR ACCOMPLISHMENTS

(1) Executive Reorganization Economy

Under Executive Reorganization the investment responsibility was moved from the Board of Administration to the Central Investment office. Two executive positions in the PERS and Social Security Division were abolished and the purchase of one automobile was removed from the budget for a savings of \$35,605.00 in the direct operational budgets. After payment of the PERS - Social Security Division appropriation for the cost of the Central Investment office of \$19,000.00, the net savings to the agency was \$14,605.00.

(2) Transfer of the administration of the Highway Patrolmens' Retirement System

Under Executive Reorganization the transfer of the administration of the Highway Patrolmens' Retirement System to the Board of Administration, PERS, and the Department of Administration in October, 1971 has resulted in a centralizing of retirement programs with uniform accounting and actuarial expertise for the several retirement systems administered by the PERS without an increase in the total cost.

(3) On-Site Social Security Audit Program

The pilot program for the on-site audits as a prelude to the federal on-site audit program allowed the evaluation of the information and showed the need of field representation on a continuing basis to insure correct reporting procedures.

(4) Change of Investment Authority

The revision of constitutional investment authority has placed the responsibility for general investment policy in the hands of the legislature

and will allow the retirement systems to have these policies reviewed and changed on a more current basis which will allow the systems to take advantage of trends in the national monetary markets.

PROGRAM DESCRIPTION

PROGRAM - RETIREMENT

GOAL

Provides on a funded basis the best possible retirement benefits to all public employees and their dependents upon death, disability or retirement.

OBJECTIVES

Provide a maximum of service and information to the members at a minimum cost.

Secure adequate statistical information to provide full funding for future benefits and to assess the needs of the membership for future benefit changes.

Initiate procedures to simplify reporting and eliminate needless details for retiring members.

ACHIEVEMENTS

The PERS provided retirement benefits to 491 new retirees as compared to 360 during previous fiscal year, provided administration to the Highway Patrolmens' Retirement System, October 1, 1971 under the Executive Reorganization including payments to 68 retired patrolmen, updated accounting records by removal of 4,000 inactive member accounts from the active membership files, added an additional accountant to administrative staff, provided personnel for informational meetings with the volunteer firemen, while increasing direct operation expenditures, including year end accrued expenses, by only 2.45% from \$152,888 in the fiscal year ended June 30, 1971 to \$156,634 in the fiscal year ended June 30, 1972.

VOLUNTEER FIREMEN

Presently the PERS serves in an advisory capacity to the volunteer firemen and will not be directly involved in the administration of the fund until the fund reaches \$1,000,000 at which time the excess of \$1,000,000 will be paid to eligible firemen in retirement benefits on a pro-rata basis not to exceed \$25.00 per month. As of June 30, 1972 the Volunteer Firemen's Fund was \$908,423 and it has estimated by the Workmens' Compensation Division of the Department of Labor and Industry that the fund will approximate \$1,020,000 at June 30, 1973 providing \$20,000 for retirement benefit payments.

PROGRAM - SOCIAL SECURITY

GOAL

The Social Security Division exists to provide, to employees of the state and its political subdivisions, and to the dependents and survivors of such employees, the basic protection accorded to others by the old-age and survivors' insurance system embodied in the Social Security Act, through an agreement between the State of Montana and the Department of Health, Education and Welfare. This agreement, which was entered into on December 7, 1953 is referred to as the Federal-State Agreement.

OBJECTIVES

Provide service to agencies through improved instructional procedures, as the on-site audit program is initiated.

Continue to update recordkeeping procedures to minimize errors in reporting and expedite collections to gain the fullest advantage of investments.

ACHIEVEMENTS

During the 1971-72 fiscal year one referendum for social security coverage was conducted for one group of employees belonging to the Public Employees' Retirement System and four groups of employees belonging to the Teachers' Retirement System.

The on-site audit program resulted in almost 100% increase in the number of reporting errors corrected from 1,254 in 1970-71 to 2,500 in 1971-72.

PERFORMANCE INDICATORS

	<u>1969-70</u>	<u>1970-71</u>	<u>1971-72</u>
Number of entities	832	797	777
Assets	4,489,031.00	4,892,394.09	5,539,973.00
Number of errors corrected	2,500	1,254	2,500

PERFORMANCE INDICATORS

Public Employees' Retirement System

Cost:	1969-70	1970-71	1971-72
Administrative	\$ 142,379.	\$ 152,888.	\$ 156,635.
Benefits	\$ 5,913,757.	\$ 6,365,445.	\$ 7,356,998.
Refund of Contributions	\$ 2,183,943.	\$ 2,230,150.	\$ 2,354,532.
Assets	\$62,273,908.	\$70,281,539.	\$80,351,799.

Performance:

Membership Active	20,977	22,096	20,358
Membership Inactive			4,009
Refunds	4,201	4,351	4,807
Benefits @ 6/30	2,667	2,939	3,242
Interest Income	\$ 3,201,000.	\$ 4,173,000.	\$ 4,695,000.
Yield on investments	5.67%	6.30%	6.42%

Game Wardens' Retirement System

Cost:

Benefits	\$ 24,998.	\$ 24,021.	\$ 38,478.
Refund of Contributions	0	\$ 8,174.	\$ 825.
Assets	\$ 733,466.	\$ 860,535.	\$ 998,198.

Performance:

Membership	89	87	82
Benefits	6	6	10
Interest Income	\$ 36,103.	\$ 51,878.	\$ 53,640.
Yield on investments	5.60%	6.73%	5.98%

Judges' Retirement System

Cost:

Administrative	\$ 1,189.	\$ 1,100.	\$ 1,500.
Benefits	\$ 53,271.	\$ 60,327.	\$ 74,669.
Refund of Contributions	\$ 1,495.	0	\$ 557.
Assets	\$ 541,003.	\$ 677,999.	\$ 816,502.

Performance:

Membership	31	31	29
Benefits	7	7	8
Interest Income	\$ 32,673.	\$ 42,768.	\$ 46,508.
Yield on investments	7.12%	7.27%	6.47%

Highway Patrol Retirement System

Cost:	1969-70	1970-71	1971-72
Benefits	\$ 155,035.	\$ 178,213.	\$ 180,008.
Refund of Contributions	5,472.	7,656.	Ø
Assets	\$1,738,822.	\$1,856,947.	\$2,001,767.

Performance:

Membership	176	191	189
Benefits	62	68	66
Interest Income	\$ 76,586.	\$ 95,156.	\$ 106,620.
Yield on investments	4.66%	5.44%	5.68%

PROGRAM COST DETAIL

<u>PROGRAM</u>	<u>1971-72 FY Total</u>	<u>Personal Services</u>	<u>Operating Expenses</u>
Public Employees' Retirement System	\$156,635.	\$ 94,911.	\$ 59,973.
Game Wardens' Retirement System	0	0	0
Judges' Retirement System	\$ 1,500.	0	\$ 1,500.
Highway Patrol Retirement System	0	0	0
Social Security Division	<u>\$ 58,642.</u>	<u>\$ 33,750.</u>	<u>\$ 24,548.</u>
Total	<u>\$216,777.</u>	<u>\$ 128,661.</u>	<u>\$ 86,021.</u>
	<u>Capital</u>	<u>Grants & Benefits</u>	<u>Increase in Assets</u>
Public Employees' Retirement System	\$ 1,751.	\$ 7,356,998.	\$10,070,260.
Game Wardens' Retirement System	0	\$ 38,478.	\$ 137,663.
Judges' Retirement System	0	\$ 74,669.	\$ 138,503.
Highway Patrol Retirement System	0	\$ 180,008.	\$ 144,820.
Social Security Division	<u>\$ 344.</u>	<u>\$23,067,674.</u>	<u>\$ 595,099.</u>
Total	<u>\$ 2,095.</u>	<u>\$30,717,827.</u>	<u>\$11,086,345.</u>

SOURCE OF FUNDING

Earmarked Revenue Fund:

Public Employees' Retirement Account	\$ 156,635.
Judges' Retirement Account	1,500.
Social Security Account	<u>58,642.</u>
Total	<u>\$ 216,777.</u>

Agency Fund:

Public Employees' Retirement Account	\$ 7,356,998.
Game Wardens' Retirement Account	38,478.
Judges' Retirement Account	74,669.
Highway Patrol Retirement Account	23,067,674.
Social Security Account	<u>180,008.</u>
Total	<u>\$30,717,827.</u>

PROGRAM COST SUMMARY

PROGRAM	Fiscal Year		Increase
	1971-72	1970-71	(Decrease)
Operations:			
Public Employees' Retirement System	\$ 156,635.	\$ 152,888.	\$ 3,747.
Judges' Retirement System	1,500.	1,100.	400.
Social Security Division	58,642.	52,480.	6,162.
Total	<u>\$ 216,777.</u>	<u>\$ 206,468.</u>	<u>\$ 10,309.</u>
Benefits & Payments to U. S. Treasurer*:			
Public Employees' Retirement System	\$ 7,356,998.	\$ 6,553,564.	\$ 803,434.
Game Wardens' Retirement System	38,478.	32,918.	5,560.
Judges' Retirement System	74,669.	60,327.	14,342.
Highway Patrol Retirement System	180,008.	178,213.	1,795.
Social Security Division*	23,067,674.	20,009,616.	3,058,058.
Total	<u>\$30,717,827.</u>	<u>\$26,834,638.</u>	<u>\$3,883,189.</u>
Totals:			
Public Employees' Retirement System	\$ 7,513,633.	\$ 6,706,452.	\$ 807,181.
Game Wardens' Retirement System	38,478.	32,918.	5,560.
Judges' Retirement System	76,169.	61,427.	14,742.
Highway Patrol Retirement System	180,008.	178,213.	1,795.
Social Security Division*	23,126,316.	20,062,096.	3,064,220.
	<u>\$30,934,604.</u>	<u>\$27,041,106.</u>	<u>\$3,893,498.</u>

All retirement payments of the various systems are paid from trust funds of each system which are funded from interest earnings, employee-employer contributions and special fees. Payments to the U.S. Treasurer are remittance of employee-employer contributions with the employee paying 50%.

